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RUEHEG/AMEMBASSY CAIRO PRIORITY 4102  
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RUEHTU/AMEMBASSY TUNIS PRIORITY 6575  
RUCNDT/USMISSION USUN NEW YORK PRIORITY 8624  
RUEHJI/AMCONSUL JEDDAH PRIORITY 1401  
RUEHJM/AMCONSUL JERUSALEM PRIORITY 2132  
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RHMFISS/COMSOCEUR VAIHINGEN GE PRIORITY  
RHMFIUU/COMSIXTHFLT PRIORITY

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STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM  
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA  
HQ USAF FOR X0XX  
DA WASHDC FOR SASA  
JOINT STAFF WASHDC FOR PA  
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR  
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD  
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD  
LONDON ALSO FOR HKANONA AND POL  
PARIS ALSO FOR POL  
ROME FOR MFO

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E.O. 12958: N/A  
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SUBJECT: ISRAEL MEDIA REACTION

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SUBJECTS COVERED IN THIS REPORT:  
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Mideast

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Key stories in the media:  
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Major media reported that yesterday President Obama dropped on DM  
Ehud Barak's meeting with National Security Advisor Gen. James  
Jones. Israel Radio reported that the President made it clear to  
Barak that Washington is firm in its demand that Israel stop  
construction in the settlements. The leading Internet news service

Ynet and other media reported that DM Barak presented the President with an Israeli proposal: removing outposts in exchange for construction in settlement blocs. Ynet also reported that Obama and Jones clarified that the Palestinian issue and stabilizing security in the Middle East come before the Iranian concern. Israel Radio quoted diplomatic sources in Jerusalem as saying that settlement cannot be stopped entirely, because the President has not presented an alternative. HaQaretz quoted Shas Chairman and Interior Minister Eli Yishai as saying that Shas will not accept the settlements being Qdried out.Q Channel 10-TV quoted PM Benjamin Netanyahu as saying in private conversations that Obama is trying to topple him. The Jerusalem Post quoted top Likud ministers and Knesset members as saying that the PresidentQs criticism of Netanyahu has crossed the fine line of interfering in Israeli politics. Makor Rishon-Hatzofe reported that officials in Jerusalem increasingly hold that belief. HaQaretz reported that special envoy George Mitchell will arrive in Israel Monday night.

Maariv reported that PM Netanyahu has instructed Haggai Hadas, the new mediator for the release of kidnapped soldier Gilad Shalit, to restart the negotiations, which were stopped after the end of the tenure of the previous mediator Ofer Dekel, about two months ago. Along with this Minister Gilad Erdan made a surprising statement in the Knesset that could assist in accelerating the talks. He reversed his previous stance, saying in a discussion conducted on the occasion of the third anniversary of the kidnapping: QTerrorists with blood on their hands should be released in exchange for the release of Gilad Shalit.

HaQaretz reported that senior officials will be participating in a joint U.S.-Israeli working group on Iran's nuclear program and the potential dialogue between Washington and Tehran. The first meeting is expected to be held soon. The newspaper reported that National Security Adviser Uzi Arad is expected to lead the Israeli team. The U.S. team will probably be led by Deputy National Security Advisor Thomas Donilon, who is the administration official responsible for the Iranian issue. The first meeting will probably address the presidential elections in Iran and the possibilities of U.S.-Iranian dialogue once a winner is announced. The identity of the victor is expected to have significant influence on the nature of the dialogue. Yediot and The Jerusalem Post reported that the Obama administration has authorized U.S. embassies around the world to invite Iranian diplomats to Fourth of July celebrations. Makor Rishon-Hatzofe bannered a truncated version of a comment the President made in an interview with the BBC yesterday: QIran has legitimate energy concerns, legitimate aspirations.

Major media (banner in Israel Hayom) quoted President Obama as saying in an interview with French media that Qthe U.S. is one of the largest Muslim countries on the planet.

Israel Radio reported that this morning security forces destroyed two unauthorized settler outposts and dismantled two roadblocks. The radio reported that Palestinian businessmen will soon be allowed to use passages currently reserved for Israelis.

The media reported that yesterday Justice Minister Yaakov NeQeman criticized Attorney General Menachem Mazuz for denouncing Avigdor LiebermanQs appointment as foreign minister in the midst of a criminal investigation against him. Yediot cited strong disappointment expressed by U.S. administration officials over FM Avigdor LiebermanQs Qbizarre courtingQ of Russia. The newspaper reported that Secretary of State Hillary Clinton expressed dismay over positive remarks made by Lieberman about Russia during his recent visit to that country. (Media quoted Lieberman as saying that Israeli-Russian relations are at "their highest point,") LiebermanQs bureau would not comment. Leading media quoted Lieberman as saying after his meetings with President Dmitry Medvedev and PM Vladimir Putin that the Israeli-Palestinian conflict must be seen within a wider regional context, as the conflict is essentially a greater one between extremists and moderates.

Makor Rishon-Hatzofe reported that the EU may suspend its upgrading of relations of Israel, which was slated for June 15. Yediot reported that yesterday Deputy FM Danny Ayalon had a chance encounter with Venezuelan FM Nicolas Maduro Moros at the summit of the Organization of the American States in Honduras and told him: QBeware of cooperation with Iran. It harms the entire continent and

Venezuela in particular.

The media reported that, although schools and other institutions performed reasonably in the nationwide drill held yesterday, the general public tended to demonstrate indifference and mostly avoided entering shelters.

HaQaretz reported that the Jerusalem planning and building committee has approved plans for a new hotel and commercial center slated for Wadi Joz in East Jerusalem. Yesterday the newspaper reported that the U.S. administration told the GOI that it is opposed to building plans in the vicinity of the Old City.

Makor Rishon-Hatzofe reported on increasing rifts in the Kadima party.

HaQaretz cited a recent study published in the current issue of Foreign Policy that secular Jews are expected to become a minority in Israeli schools and among the draft-age population within 20 years. The study, which is based on figures from Israel's Central Bureau of Statistics, predicts that by 2030 Arabs and ultra-Orthodox Jews together will compose close to 60 percent of Israel's elementary school population and about 40 percent of eligible voters. HaQaretz reported that Stuart Eizenstat, a lawyer and former U.S. Under Secretary of State, has been appointed to chair the Jewish People Policy Planning Institute in Jerusalem.

The Jerusalem Post reported that yesterday Shawn Pine, an Israeli-American contractor killed in Afghanistan last month, was laid to rest at Arlington National Cemetery.

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Mideast:  
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Block Quotes:  
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II. QYes, We Can!

Uri Savir, Oslo Accords architect and President of the Peres Center for Peace, wrote in the mass-circulation, pluralist Yediot Aharonot (6/3): QIt is interesting that President Barack Obama chose June 4 as the date to give his programmatic speech in Cairo. It is difficult to believe that the date is accidental. The separation lines of June 4, 1967 are the basis of the Arab demand for an Israeli withdrawal. This time, however, besides this demand there are strategic issues of greater importance on the agenda: Creating a strategic coalition of Israel and the moderate Arab states.... Resolving relations between Israel and the Palestinians on the basis of two states for two peoples, without the right of return, and taking into consideration the parties' security needs.... Examining the possibility of negotiations between Israel, Syria, and the U.S. on the basis of the formula presented [in the past] by Defense Minister Barak: QThe depth of the withdrawal is as the depth of the peace and security,Q and a Syrian move away from the axis of Iran and its allies. Regional cooperation with a view towards regional peace and gradual normalization measures between the Arab states and Israel, on the basis of the Saudi plan.... The alternative is extremism in the Arab world, strengthening Islam, mainly fundamentalist Islam, and among other things strengthening Hamas and increasing terror attacks. This is a dangerous possibility that should be avoided, particularly since there are common interests today between Israel and leaders such as Abu Mazen, President Mubarak, the King of Jordan, the king of Saudi Arabia, the Gulf leaders, and the North African leaders. The region must reply with a great QyesQ to Obama's plans. This is a golden opportunity both for the Arabs and for Israel. Rejections, reservations, and excuses will only harm both sides. Israel and the entire region should say to Obama: QYes, we can!

II. QNo Messiah

Senior columnist Nahum Barnea wrote from Cairo on page one of Yediot Aharonot (6/3): QThe expectations that ObamaQs brief visit to Egypt have created are almost messianic.... ObamaQs decision to place the Arab world at the top of his foreign policy agenda stems not from messianic aspirations but from necessity. America needs Arab

leaders and Arab public opinion as never before.... Obama is treading a fine line. Given his need for the Arab leaders, he is going to have to tone down any talk about democracy and human rights. There is an historical irony at play here: George Bush, a Republican, right-wing believer in religious values, sought to bring democracy to the Middle East. Barack Obama, a Democrat, left-wing figure of the kind that is derisively referred to by the American right as a Qbleeding heart liberal,Q is courting the Saudi King and EgyptQs eternal President. He is also treading a thin religious line. His middle name, Hussein, has helped him win the hearts of multitudes across the Muslim world. But by the same token it has elicited suspicion among non-Muslims. That suspicion exists not only in America and in Israel [but also among Christian minorities in the region].... ObamaQs speech is like the prologue of a play that has yet to be written. The question is what will happen in Washington later, will a plan really be formed that will be able to unite all of the anti-Iranian and pro-American forces in the region, including Israel, into a single coalition that will aspire to achieve regional stabilityQto rein in Iran, to save Iraq and Afghanistan, and to achieve a regional Israeli-Arab peace? Only a messiah can achieve all those objectives in the course of a single term.

### III. "One Friend for Two Peoples"

Senior op-ed writer Akiva Eldar commented in the independent, left-leaning Ha'aretz (6/3): QThe extent of the differences between the United States and Israel will ... reveal itself on all core issues, with the exception of the right of refugees to return. The dispute that Netanyahu is blowing out of proportion Q Qnatural growthQ of settlements -- is merely an attempt to stop Obama before the President raises it in the clash over borders and Jerusalem. Obama has bothered to make loud and clear to Netanyahu what Bill Clinton told his aides after their first meeting 13 years ago: QWhat the hell is he thinking? Who is the leader of the superpower?Q It appears Obama does not intend to make do with just talk.

### IV. QCool It!

The conservative, independent Jerusalem Post editorialized (6/3): QObama is reportedly planning a major Washington policy address next month detailing his approach to Arab-Israel peacemaking. Those who want to manipulate the environment to Israel's detriment will continue to foster an ambiance of crisis. But those who want what's best for Israel should be working in the opposite direction. Our government can create a better atmosphere by permanently dismantling unauthorized outposts; reiterating Israel's Qno new settlements policy, and rethinking the wisdom of refusing to endorse previous Israeli governments' policy on the two-state solution. Can we ask Obama to honor understandings about settlement blocs reached by Israel with his predecessor when we are not honoring agreements his predecessor reached with us? Once we have taken these steps, we can feel more comfortable about disagreeing with other Obama policies without seeming to be disagreeable.

### IV. "Honey, They Switched the Presidents"

Military correspondent Amos Harel and Palestinian affairs correspondent Avi Issacharoff wrote in HaQaretz (6/3): QThe U.S. administration is paying a hefty tuition to understand the region. Vice President Joe Biden's visit to Beirut just before the Lebanese elections was seen as a glaring attempt at intervening in the democratic process; it played right into Hizbullah's hands. Obama's avoidance of a specific date for ending the dialogue with Iran is perceived in some moderate Arab countries as a mistake and display of weakness. Will Obama's charm also stand him in good stead tomorrow in Cairo? Perhaps. But the President might wake up on Friday to find that his country is still extremist Islam's greatest enemy.

### VI. QBarack Obama in My Hometown

Daniel Dagan, the Berlin correspondent of Israel Broadcasting Authority (Israel Radio and TV), wrote in The Jerusalem Post (6/3): QThe dramatic events now unfolding in my native town offer a good opportunity to put a straight question not just to Mubarak and other Arab and Muslim leaders, but also to Obama: When you address the problem of refugees forced to leave their homes as a consequence of the Arab-Israeli conflict -- as surely you will -- do you intend to

consider all the refugees affected by this ongoing confrontation? Why have you failed until now to mention the 1 million Jews who fled Arab countries and sought a new home in Israel? Why have you ignored the fate of these large, ancient communities across the Arab and the Muslim world that have all but disappeared? Why don't you ever mention me?.... A truthful approach is also important in order to tackle other problems facing many Muslim nations -- problems which are far more serious and pressing than the conflict with Israel: poverty, technological backwardness, the status of women, and the widespread abuse of religious values to promote violence So to get me inspired -- which Obama definitely can do -- he may choose to depart from the text prepared by his speechwriters. He may want to tell his audience some plain truths about the state of the Muslim world and about practical ways to seek progress.

CUNNINGHAM